

The Millionaires mind

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How to think like a millionaire

They live in lovely homes located in fine neighborhoods. Balance is their approach to life. They are financially independent, yet they enjoy life — they are not "all work, no play" types of people. Most became millionaires in one generation. Neither their lifestyle nor their wealth was generated from being highly leveraged financially. They are not credit junkies.

How did they accomplish this? How did they balance their need to become wealthy and economically productive with their need to enjoy life?

They have the millionaire mind.

Early in my career of studying wealthy people, I had a glimpse of this segment of the millionaire population. In 1983 I was asked to interview sixty millionaires from Oklahoma. What I learned from them was simple, yet the message had a lasting impact on me: you cannot enjoy life if you are addicted to consumption and the use of credit. These Oklahoma millionaires were just the opposite, as demonstrated by one focus group of 10. All 10 were seasoned business owners, executives or professionals. All were first-generation wealthy. Some were credit-dependent earlier in their careers, but they eventually saw the light. They went cold turkey, breaking the cycle of borrowing to consume and earning to consume. Others never became addicted to credit or the need to display their success.

All 10 were multimillionaires. They lived in fine homes in well-established, older neighborhoods. They enjoyed life. They were not workaholics. They spent a lot of time with their families and friends, borrowed little money and became wealthy, in most cases, before they were 45 years old. They believe that financial independence and much economic success can be achieved without adopting a Spartan lifestyle.

Importantly, these millionaires were not misers. Misers are controlled by greed. They even short-change their spouses and children. Money is their God. These people are not of the millionaire mind. One millionaire who has a more proper perspective told me: "I taught my sons and daughters that money is not their God. You control it ... [you don't] let it control you."

Most of the people I profile in my book *The Millionaire Mind* (based on a survey of 733 US millionaires) became economic successes in one generation. They came from economic ground zero. Most inherited no money. They never received the proceeds of an estate or income

from a trust account. How did they do all this? They are of the millionaire mind. Here's what it looks like.

Top five factors

What are the top five factors most often mentioned by millionaires as the foundation stones? The most common factors picked by the 733 millionaires were:

Integrity — being honest with all people;

Discipline — applying self control;

Social skills — getting along with people;

A supportive spouse; and

Hard work — more than most people.

Where does the element of luck rank? It's near the bottom of the list of 30 success factors, at number 27. But in this context, the millionaires were referring more to uncontrollable factors, such as the economy, that can and do impact one's net worth. Not one millionaire I interviewed had anything nice to say about gambling.

Listen to how they describe themselves:

How did we become millionaires in one generation? Most of us saw an economic opportunity that others just ignored, and we had a willingness to take financial risk given the promise of good return. This is especially true for those of us who are self-employed. But we know there is a strong correlation between one's willingness to take financial risk and one's level of wealth. It is less about investing in the stock market and much more about investing in ourselves, our careers, our professional practices, our private businesses, and so forth. Most of us will say that we have strong leadership qualities. We have the ability to sell our ideas to our employees and suppliers, and our products to carefully targeted audiences. We provide products and services that have strong demand but few suppliers. Intelligence don't count

How important is intelligence in explaining variations in economic success? Not very. The millionaires described themselves as only average or just above average intelligence.

Being well educated does not mean that we all graduated with high honours from college. Our average Scholastic Aptitude Test (SAT) score of 1190 is significantly above the norm, but not considered high enough to gain admittance to so-called selective or competitive undergraduate colleges. Most of us did not attend such schools. Nor, when surveyed, did we indicate that graduating from a top-rated college was important in explaining our economic success.

But even the 1190 SAT number may be a bit inflated. Nearly 90% of our cohorts who were A students in college could remember and thus reported their SAT scores. But, only about half of our group who were C students were able to recall their SAT scores. If their scores

were included it is estimated that nearly 100 points could be shaved off the 1190 average, making them closer to just average.

Most of us have been told by some authority figure or by the results of standardised test scores that we were not intellectually gifted, of law-school calibre, medical-school material, qualified to pursue an MBA degree or smart enough to succeed.

We often wonder how we ever became so financially successful, given the fact that few of us were ever designated "intellectually gifted". Thus we question the relationship between intellect, academic performance and economic success. Are we successful in spite of our intellect, or because we always felt that we had to work harder to compensate for our deficiencies?

School's for habits

What school and college experiences influenced millionaires in becoming economically productive adults? Most told me they learned something about tenacity, getting along with people, self-discipline and discernment. A good portion of the millionaire population is made up of people who worked hard in school but did not graduate with all As. Those millionaires whose SATs were not spectacular say that:

The school and college experiences influencing us most were learning to fight for our goals because someone labeled us as having "average or less ability".

The vast majority of us believe that we benefited from the educational experience. At school we learnt to allocate time and make accurate judgements about people.

The millionaire population contains many people who were not straight-A students, but they did learn a lot in school. It wasn't just the core courses that were key. Discipline 101 and Tenacity 102 were also important parts of the school experience.

Find courage

What do most self-made millionaires have in common? They have courage. But having the courage to take financial risk doesn't mean that millionaires are gamblers. Few gamble at all. In fact, the higher a millionaire's net worth, the less likely he is to ever to gamble. Yet there is a positive correlation between taking financial risk and net worth.

Obviously, gambling and financial risk-taking are not the same type of behaviour. The most basic form of financial risk-taking relates to choice of occupation, or vocation. A disproportionately high percentage of millionaires, multimillionaires and decamillionaires are self-employed business owners and entrepreneurs or self-employed professionals. They say:

- We think of success, not of failure. We take risk but we study the probable outcomes. And we do everything we can to enhance the odds of generating returns.

- How do we eliminate or reduce fear and worry and bolster our courage? We practice believing in ourselves and hard work.

- How do we bolster our belief in ourselves? We focus on key issues; we prepare and plan to succeed; and we are well organised to deal with big issues.
- Some of us have conditioned our minds to offset fears and certain limitations through the mental toughness we developed playing competitive sports. There are a good number among us who have compensated for deficiencies by having what we call the athlete's heart. This term refers to both physical and mental tenacity and courage.
- Nearly four in 10 (37%) of us reduce the fears and worries associated with making critical decisions about financial resources by calling upon our strong religious faith. In fact, those among us who have strong religious faith have a higher propensity to take financial risk than others.

Choose a vocation

After studying millionaires for more than 20 years, I have concluded that if you make one major decision correctly, you can become economically productive. If you are creative enough to select the ideal vocation, you can win, big time. The really brilliant millionaires are those who selected a vocation that they love and one that has few competitors but generates high profits.

The millionaires say:

How did we become wealthy in one generation? It has a lot to do with our selection of the right vocation. Thus, the laws of economics and psychology are in our favour. Otherwise, we'd be swimming against the tide.

Was our ideal vocation suggested by an employment agent or headhunter? Only 3% of us did it that way. In fact, most of us are intuitive as well as creative. How else could we select such wonderful economic opportunities?

Stay married

There is a substantial correlation between the number of years a couple is together and the wealth they accumulate. Over 90% of the 733 millionaires are married. Only 2% have never been married and about 2% are currently divorced or separated. The rest are widowed. Are there economies of scale associated with being married, as opposed to being single?

The data clearly show that the answer is yes. Does this mean that the two-career couple is the prototypical millionaire household? Not at all. In fact, the higher a couple's net worth, the more likely it is that the wife does not work outside the home. Contrast this with married couple households that produce high income but are not in the millionaire league: nearly 70% of the wives in those households work outside the home. They are employed as teachers, sales professionals, middle-level corporate executives and lawyers. Only about one wife in three in the deca-millionaire households works outside the home. The millionaires tell us:

The typical couple in our millionaire group has been married for 28 years. Most of us (eight out of 10) believe that "having a supportive spouse" is either very important or important in accounting for our economic success.

Shop small

Spend a week with these millionaires and you will conclude that their income and their shopping behaviour create a contradiction. On average, their annual net income is about \$US750,000 and they have an average net worth of about \$US9 million. Yet:

The majority of us have our shoes resoled and repaired.

Half of us have our furniture reupholstered.

Seven out of 10 of us use grocery shopping lists to stop impulse buying.

About half of us buy in bulk at warehouse-style stores.

Choose your suburb

Why do so many millionaires choose older homes over newer homes? And houses with four bedrooms instead of eight or 10? It has something to do with the quality of the neighborhoods where these houses are located. These are homogenous neighborhoods in terms of socio-economic and educational characteristics. Most of the people in these neighborhoods are successful. They are highly productive business owners, corporate executives, lawyers and doctors. To these people, "new" does not translate into "better" or "improved". As a cultural group they are trained to be "new sensitive".

Here's what else they say about their homes:

In order to get a good deal we never pay the initial asking price and are willing to walk away from any deal at any time.

Most of us have mortgages, but 40% have no mortgage at all. Less than 5% of us have an outstanding mortgage balance of \$US1 million or more. Only about one in three have a mortgage balance outstanding of \$US300,000 or more.

The median outstanding mortgage balance for those in our millionaire group is just under \$US100,000, or about 7% of the current market value of our homes. We are not, as some people refer to them, "credit types".

Part of our mindset is to purchase homes that appreciate in value. In turn, part of this appreciation is a function of the high-quality public schools in our area. Sending our children to public schools saved us hundreds of thousands of dollars over the costs associated with private-school expenses.

We believe most people, even those who do not earn anywhere near the incomes we generate, can still benefit from this view of home ownership.

Be dull

Far from the high-flying, jet-setting image of the rich, most of the millionaires in the study are what many would say are boring. When asked about their lifestyle they say:

We don't do the same things that beautiful people do. In fact, some swingers might say our overall activities and interests are mostly from Dullsville. In spite of our economic position, only 3% of us took an ocean cruise around the world last year. Only 4% skied in Europe. Though 20% of us did holiday in Paris last year. Of course, some of us who holidayed overseas had their trips partially subsidized by "business purposes".

What have we done with our non-working time in the past 12 months? Most of us (85%) consulted with a tax expert; 81% visited a museum; 68% engaged in community/civic activities.

Most of us do little or no "do-it-yourself" activities. Only about one in five mowed his or her lawn in the past year. Nor are we likely to be found painting our homes or doing plumbing repairs. The millionaire mind tells us to work hard at our main vocation and enjoy the rest of our free time doing what is enjoyable.

Our 30-day diary of activities is equally telling. Some may conclude that we are "cheap dates" because most of our activities are not costly. Whether you are rich or not, the best things in life are free or close to it. Entertaining friends, studying investments and watching our children play sports are not expensive activities, yet these are the things that most of us love to do.

Think different

Many may interpret the millionaires' lifestyles as dull, but in reality when I asked millionaires what they most learned in their salad years they say: "to think differently from the crowd".

It pays to be different. I have never been interested in studying "beautiful people". Interestingly, many of my correspondents have told me that if they were beautiful, partly beautiful or totally beautiful they would never have become so productive. Why? Because they would never have the need to be so very careful in selecting the ideal vocation, vocation, vocation.

Excerpts taken from *The Millionaire Mind*, by Thomas Stanley (HarperCollins, 2000). Available at bookstores.

Success factors

Sharon Hunter

\$12 million (NBR Rich List 2000 valuation*)

The founder of PC Direct, Hunter now co-owns \$20 million turnover, 50-person food company Continental Distributors; relaunched as euroPacific Foods.

Seeing opportunities others don't see and, being willing to take financial risk: Lots of people see the opportunities but aren't prepared to take the risk. With PC Direct, we saw a problem to be solved and we reckoned we could provide a solution. Everyone said afterwards that there was a gap in the market. We were the only ones prepared to take the risk.

Having strong leadership qualities: As you start to employ people, you have to articulate the vision. Or you can't move forward.

Having a competitive spirit/personality: You have to want to be the best. Not necessarily the biggest, but the best.

Having an ability to sell ideas/products: Not in the traditional sense of being a good salesperson, but you have to be able to paint the picture of where you are going and sell it to a team.

Ignoring the criticism of detractors: There's a much bigger line of people waiting to tell you not to do it than there is of those urging you on.

Having extraordinary energy: You go to bed at night and your head is spinning with ideas. You wake up at 3am and it's still spinning. You have to have the energy to have your mind occupied a lot, particularly with a start-up.

Desire for autonomy/control: Wanting there to be a direct link between how well you perform and how successful you are.

Having an urge to be well respected/fear of failure: When you first start out in business, it's all risk, but then, as you get going, you worry about failing. Later, as you are more successful, you look for respect. When you've been successful and then start up another business, fear of failure, urge for respect and risk are all there together, right from the start.

The NBR Rich List 2000 is the source of all further references in this article to New Zealander's personal fortunes
Success factors \$17 million

Villa Maria Wines managing director

Honesty: Honesty creates trust and trust is the key ingredient in all business. Honesty also allows you to identify your strengths and weaknesses so you can then surround yourself with the right people

Passion: Passion for wine has meant we have pursued quality, a rewarding strategy. Passion for the business means we have worked harder than most to break into lucrative export markets. When you're passionate you don't think of it as work

People skills: Getting on with people is a bit like honesty — it means things work well

Niche orientation: Seeing opportunities others don't see, then being willing to take calculated risks, is what creates businesses

Total self-belief: I'm surprised this doesn't appear in the [Stanley] list, because this is critical to taking risks. Mixed with honesty, total belief in yourself is in my top five success factors

Success factors

Rachel Hunter

\$20 million

New Zealand's most successful model Rachel Hunter didn't return our calls, but from what we can stitch together she is in many ways the archetypal millionaire Stanley describes. Estimated to be worth \$20 million by The NBR Rich List 2000, she is a first-generation millionaire, with a modest school record, a strong work ethic and an encouraging home background. Like most of Stanley's subjects she has strong social skills: "She has a very strong network in the entertainment industry and makes sure she is at most premieres and important events," comments Woman's Day editor Michele Crawshaw. She lives in a cluster of similarly wealthy and successful people (it's called Beverly Hills) and though her career was launched by good fortune, getting rich from it has not been left to chance. In one key area the Glenfield glampuss departs from her fellow millionaires. Whereas 92% of Stanley's millionaires partly attribute their success to a successful marriage, Hunter's separation from train-set playing husband Rod Stewart only seems to have helped her career.

Success factors

Gil Simpson

\$35 million

Founder of Aoraki Corporation

Courage: This is different from taking risks. It's being able to stand there while the storms of public opinion, staff, colleagues assail the position you've adopted. If you are able to go into a scary space and stick to your ground, people will believe in you. When you are successful you are exposed to criticism. Many people are scared of criticism or rejection. But remember, courage is different from stubbornness — refusing to admit you've made a mistake. I like the Egyptian tank image: two forward gears and six reverses

Humility: Not taking credit for things that others have done. This makes employees more successful and my success is built on the success of others. A successful movie director needs his stars to be winning academy awards

Being objective in all things: Emotion and making money doesn't work. In negotiations, for example, you need to understand why the other side is doing what it's doing

Having the highest regard for and confidence in people: If you let people do their own things they are far more creative and productive. Management's job is to remove impediments to them achieving things

Seeing things others don't see: Otherwise you won't be able to inspire others.

Being able to answer the question, 'What if I succeed?': It's a more difficult question than 'What if I fail?'. Failure is easy — you cancel your Sky subscription and stop going out to dinner. But you have to answer the question 'If I succeed and have to expand, where do I go?' Or, 'If I had to hire 50 more staff, what would I do with them.'

Having a supportive spouse: Not essential for success, but there's no question it makes you happier and I believe you do your job better.

A sense of humor: In every business there's going to be conflict. A sense of humour helps relieve the tension.

Good fortune: I'd like to believe good fortune comes the way of us all. Successful people are prepared to take the opportunity when it occurs.

Author Graeme Hunt knows something about being rich, not because he is rich (he's not), but because the long-time editor of NBR's Rich List has just completed a history of New Zealand's rich. We asked Hunt for their common characteristics:

Perseverance

Most of the long-standing wealthy families have stuck to one thing and been very good at it. The Caughey family, for instance, has owned [Auckland department store] Smith & Caughey since 1880. The founder, Marianne Caughey, sensibly left 47% of the shares in a charitable trust — meaning it can't be broken up. That gives the family a central and long-term focus. Contrast that with the families that took their companies public in the 1980s or acquired debt to expand: Porter [Masport], Carter [Carter Holt Harvey], Winstone [Winstone group] — they've all disappeared.

Youthful enthusiasm

Rich settlers had an almost blissful ignorance of what could be done. It's the same sort of enthusiasm you see in the dot-com generation. Many of the settlers were only in their 20s when they began their entrepreneurial pursuits and hadn't fought with banks or depressions. People like John Logan Campbell and Thomas Russell had a sense of invincibility and achieved amazing things as a result.

Knowledge capitalists

The rich have always been in the knowledge economy. When the wool price collapsed in the 1870s, people like John Grigg and William Davidson took a big punt on untried refrigeration technology, sending thousands of dollars worth of carcasses to England. Those that stuck to wool suffered, while Grigg and Davidson prospered.

Networkers

The rich have always formed incredible networks such as the 'Tartan Mafia', that group of speculative Dunedinites with a hint of Scottish ancestry that dominates the South Island investment market. There's nothing new in this. In the 19th century, and probably up to World War II, Methodist traders in Auckland and Jews, mostly merchants in Auckland and Wellington, operated their own networks with great success. In a thin capital market, without the safety nets we associate with business today, such networks proved a lifeline.

Debt and risk managers

The same things that made people rich made them poor: debt and risk. The difference is the rich manage them better. Sourcing capital has always been a key in New Zealand; and still is. The rich have great connections and the ability to pick trends.